U4110-1

PENNSTATE

College of Business Administration

Published since 1938

Pennsylvania Business Survey

November 1988

SLOWER GROWTH UNLIKELY TO DERAIL ECONOMY IN NEAR-TERM

Recent trends suggest that overall **economic growth in Pennsylvania may be slowing somewhat, just as it is throughout the nation, but conditions remain far from discouraging.** Indeed, 1988 may prove to be one of the most encouraging years of the decade when January 1*st* roles around. This is quite impressive in light of the fact that such robust gains are typically found early in a recovery period, rather than five or six years into an expansion.

The strength of the 1988 economy in Pennsylvania is evident in the accompanying chart which shows that **in ten of the Commonwealth's 15 metropolitan areas, nonfarm job growth through the first nine months of the year is running at a pace which exceeds the average from the 1983-1987 period.** It is also important to note that within the western portions of the Commonwealth, only the Altoona region, or Blair County, has fallen short of the 1983-1987 average. This suggests that growth has been somewhat more balanced across geographic regions relative to previous years.

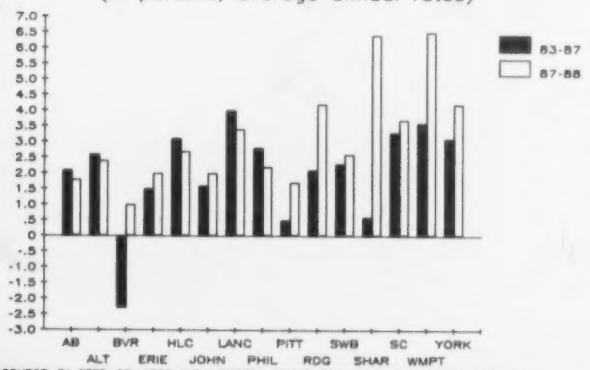
Data recently released by the U.S. Bureau of Labor Statistics suggests that some ground relative to the U.S. may have been made up in 1987. Specifically, the BLS information shows that average annual pay for all industries in Pennsylvania rose 5.2 percent in 1987 compared to a 4.5 percent rise for the U.S. as a whole. What is even more intriguing is the fact that average pay in only two industries, construction and government, was higher in Pennsylvania than in the nation. As a result, annual pay for all industries in the Commonwealth was only 98 percent of the U.S. average. Hence, Pennsylvania's designation as a "high wage" state may need some refinement.

A major cause for the economy's relatively strong showing may be found in the factory sector. **While factory job levels declined slightly in September, 1988 has brought with it an end to the nearly continuous job losses racked up by these industries over the course of the past few years.** Indeed, manufacturing job totals were up approximately 5,000 in September from year-ago readings. Through the first nine months of the year, factory-related jobs have averaged about 1.05 million which, if carried on into the final months of the year, would represent the highest total since 1985. Even more encouraging has been the performance turned in by the State's manufacturers with respect to production (see chart). **After holding steady for close to three years, the Pennsylvania Manufacturing Activity Index began to rise in early 1987 so that it now stands at its highest reading since the late 1970s.**

While the manufacturing job picture may not have been especially encouraging when the analysis is limited to the month of September, other indicators of the factory sector's health were quite impressive for the month. For instance, the average workweek, at 41.4 hours, was the highest on record after seasonal trends are discounted. Furthermore, three measures of the earnings of manufacturing workers, total weekly payrolls, average hourly earnings, and average weekly earnings, each turned in rather large gains during the month. Also, steel production rose to one of its highest levels of the recovery in September.

After seasonal trends are eliminated, **the picture on the nonmanufacturing job front appears to have been fairly stable in September.** Job levels typically rise by a con-

PA METRO AREA NONFARM JOB GROWTH:
1983-1987 AND 1987-1988 YTD
(in percent; average annual rates)



SOURCE: PA DEPT. OF LABOR AND INDUSTRY; CENTER FOR REGIONAL BUSINESS ANALYSIS

PA average annual pay by industry

	1987 ave. ann. pay	Pct. of U.S.	86-87 pct. change PA	U.S.
Total	$20,408	97.9	5.2	4.5
Mining	30,822	93.5	4.9	1.2
Construction	24,001	103.8	5.1	4.2
Manufacturing	24,987	97.3	3.7	3.2
TPU	27,202	99.3	2.6	3.2
Wholesale trade	25,249	97.0	6.7	4.9
Retail trade	10,720	93.1	4.1	3.4
FIRE	23,751	91.4	6.4	7.2
Services	18,466	97.6	8.0	7.2
Government	22,118	100.2	5.9	4.6

Source: U.S. Dept. of Labor, Bur. of Labor Statistics

siderable amount during the month, largely because of the reopening of schools which raises the number of individuals on payroll in the "State and local government" category. During this past September, nonmanufacturing jobs rose 13,000 before seasonal adjustment, with 11,000 of those "new" jobs coming in State and local government. These gains were slightly larger than normal for the month. As a result, nonmanufacturing jobs remained at a record high in September in settling at slightly over 4 million.

One of the bright spots within the nonmanufacturing sector over the past several years has been retail trade. Since the onset of the recovery in 1982 and 1983, retail establishments have increased employment by 17 percent compared to a 10 percent gain for all nonfarm industries. The accompanying chart shows that retail sales growth in Pennsylvania exceeded growth in the U.S. each month but one between mid-1985 and May of this year. However, in each of the past three months, sales growth in the Commonwealth has failed to match or exceed growth throughout the nation.

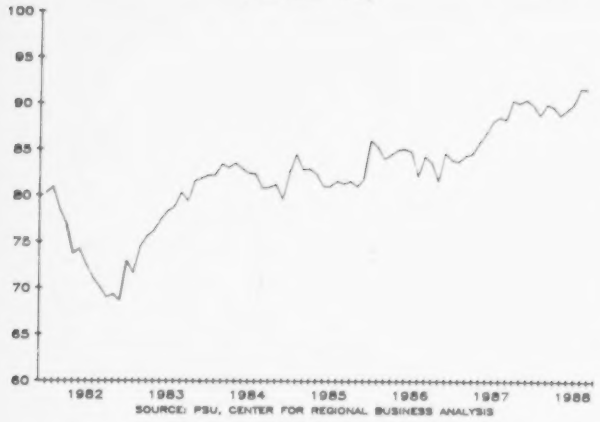
Although the number of Pennsylvanians officially counted as employed fell by 26,000 on a seasonally adjusted basis in September, the general trend in employment remains upward. In fact, this most recent showing comes on the heels of a gain of nearly 100,000 recorded during August. **So far this year, employment is up by 160,000 from the first nine months of 1987. As a result, the number of residents counted as unemployed has declined by nearly 23,000 despite an increase in September when the jobless rate**

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1988		1987	1988		1987	1988		1987
	August	*September*	*September*	*August*	*September*	*September*	*August*	*September*	*September*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	5,063*	5,079	4,965	5,054*	5,053	4,940	110.7	110.7	108.2
Nonmanufacturing									
No. of wage and salary jobs (thous.)	4,007*	4,020	3,912	4,002*	4,004	3,896	124.1*	124.2	120.9
Mining	30	30	31	29	29	30	60.6*	59.8	62.7
Contract construction	259	258	244	239	240	226	130.0*	130.5	123.0
Transportation	136	141	142	140	139	140	87.1*	86.6	87.1
Public Utilities	106	105	105	105	105	105	104.7*	104.4	104.2
Wholesale trade	270	270	266	267	269	265	120.6*	121.1	119.6
Retail trade	879*	882	870	876	877	865	122.1*	122.3	120.6
Finance, insurance & real estate	302	299	294	298	298	293	136.9*	137.1	134.5
Service & miscellaneous	1,356*	1,357	1,290	1,353*	1,351	1,285	156.8*	156.6	148.9
Federal government	143	143	142	143*	144	143	111.3*	112.2	111.5
State & local government	526*	537	529	549*	552	544	94.2*	94.8	93.4
Manufacturing									
No. of wage and salary jobs (thous.)	1,056	1,055	1,050	1,052	1,049	1,044	78.4	78.2	77.8
Durable goods	603	603	596	602	600	593	74.3*	74.1	73.2
Nondurable goods	453*	453	455	450	449	451	84.5	84.3	84.7
Ave. wkly. hrs. worked by prod. workers	40.9*	41.4	40.8	41.0*	41.3	40.7	103.7*	104.5	103.0
Total wkly. person-hours worked (mils.)	29.5	29.9	29.3	29.4	29.7	29.0	76.7*	77.3	75.6
Total wkly. payroll (mil. dols.)	302.6*	310.0	295.6	303.2*	307.2	292.9	135.0*	136.7	130.3
Average hourly earnings (dollars)	10.25	10.37	10.10	10.30	10.36	10.09	176.1	177.1	172.5
Average weekly earnings (dollars)	419.23	429.32	412.08	421.76	428.46	411.15	182.3*	185.2	177.7
Steel production (thous. tons)	1,090*	1,171	1,047	n.a.	n.a.	n.a.	56.2*	64.2	57.4
Industrial electric power sales (mil. kwh)	4,026	3,929	3,762	3,939	3,902	3,720	106.7	105.6	100.7
Mining									
Anthracite coal (thous. net tons)	451	395	441	382	359	391	78.1	73.4	80.1
Bituminous coal (thous. net tons)	8,010	7,667	5,763	7,816	7,798	5,598	110.8	110.6	79.4
Construction contracts awarded (mil. dols.)									
Total	806.1	924.8	815.0*	699.1	899.9	828.0*	217.3	279.7	257.4*
Residential building	437.3	418.8	361.9*	370.8	376.3	351.2*	263.5	267.4	249.5*
Nonresidential building	265.3	413.8	280.4*	205.8	416.1	272.3*	189.7	383.5	251.0*
Nonbuilding (utilities and public works)	103.5	92.2	175.9*	122.5	107.5	204.5*	169.0	148.4	282.1*
Retail Sales (mil. dols.)	6,600	n.a.	6,293†	6,476	n.a.	6,178†	n.a.	n.a.	n.a.
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,680	5,549	5,418	5,525	5,499	5,369	115.0	114.4	111.7
Unemployed									
No. of persons (thous.)	249	296	297	261	316	317	65.1	78.7	79.1
Rate (percentage of labor force)	4.2	5.1	5.2						
Rate, seasonally adjusted				4.5	5.4	5.6			
Civilian labor force, no. of persons (thous.)	5,928	5,845	5,715	5,786	5,815	5,686	111.1	111.7	109.2
Initial claims for unemployment benefits	64,065	55,407	61,714	77,357	71,279	77,503	54.0	49.8	54.1

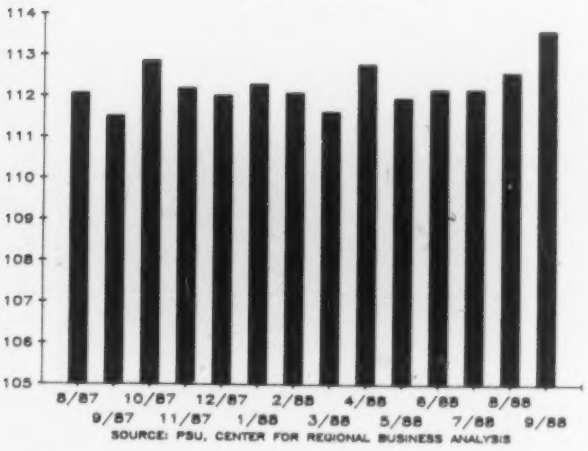
Consumer Prices, all items	Urban Indexes (1982-84 = 100)			Percentage Change	
	1988		1987	*Month Ago*	*Year Ago*
	August	*September*	*September*		
U.S. city average	119.0	119.8	115.0	+0.7	+4.2
Philadelphia	123.9	125.2	118.7	+1.0	+5.5
Pittsburgh	115.3	n.a.	112.0†	n.a.	+2.9

[1] Total includes workers on strike. * = figure revised † = figure for August 1987 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

PENNSYLVANIA MANUFACTURING ACTIVITY INDEX
(1973=100)



PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(Jan 1972=100)

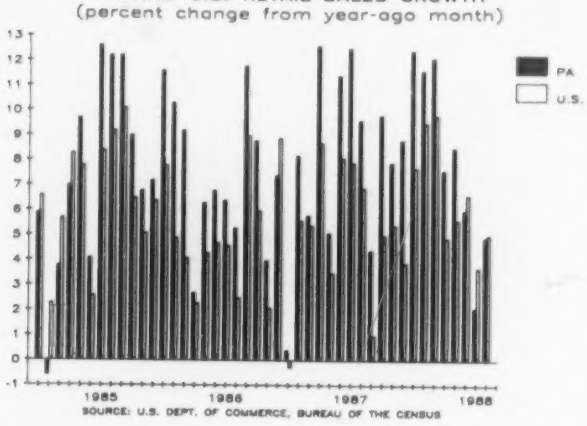


rose 0.9 percentage point to a seasonally adjusted 5.4 percent.

Although current expectations are for some slowing in growth throughout the nation, and hence, in Pennsylvania, it is unlikely that such a slowdown will bring with it an end to the current recovery within the short-term. Indeed, the index of leading indicators for the Pennsylvania economy continues to drift slightly upward which suggests that growth should continue, though at a less-than-robust pace.

Many feel that a recession is likely late next year or in 1990. It is sometimes pointed out that since Pennsylvania's economy is more "diversified" (i.e., is less dependent upon those industries, especially in durable goods manufacturing, likely to suffer the most in downturns) than in the past, the Commonwealth will be better able to "weather the storm" during the next slump. The fact that Pennsylvania's economy is more diversified is almost beyond debate which should, indeed, help the State when a recession does occur. At the same time, diversity can also be measured against the U.S. In examining the situation from this angle, the Commonwealth still remains more dependent upon the cyclical goods-producing industries than the nation as a whole. As a result, should the next recession be a severe one similar to the most recent

PA AND U.S. RETAIL SALES GROWTH
(percent change from year-ago month)



slump in the early 1980s, Pennsylvania may again suffer disproportionately.

— William D. Anderson

Around the State

Northeastern Quarter

Allentown-Bethlehem

In a quarter in which the overall economy essentially held its own with few signs of appreciable acceleration or deceleration, construction activity continued to advance in the four-county Allentown-Bethlehem metropolitan region during the July-September period. Building activity, as measured by the value of construction contracts, was up one-fifth on the residential side and two-thirds with respect to nonresidential projects. On a related note, the number of households grew at a rate considerably higher than the Statewide average during the first half of the decade in Lehigh and Northampton Counties. This may be attributable to the inflow of residents from the east. In Carbon County, the westernmost in the metro area, household formations grew at a pace slightly less than the average for all of Pennsylvania.

A quick glance at the labor force data suggests to many that the region is currently operating at "full-employment." While this may be true, at least numerically, consideration must also be given to whether or not the full complement of skills currently possessed by the labor force is being fully used. Although no definitive conclusions can be drawn in the absence of a rather lengthy and detailed study, the possibility of "under-employment," where the skills of the labor force are not being fully utilized, certainly exists in light of the massive restructuring which has occurred in the region's economy.

Nonetheless, the jobless rate remained in the 4 percent range (seasonally adjusted) over the July-September period for the third consecutive quarter. Specifically, the rate stood at 4.4 percent, nearly unchanged from second quarter's 4.3 percent reading. At the same time, employment remained at a record high in settling at 314,800. Employment has remained at or near record readings for approximately three years. There are, however, some signs of a slowdown in

Allentown-Bethlehem Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	314.8	113	112	111
Unemployed, no. of residents	13.7	69	67	78
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	328.5	110	109	108
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	277.4	108	108	106
Nonmfg. only, no. of jobs	200.7	135	135	131
Mfg. only, no. of jobs	76.4	71	71	71
Hrs. worked by production workers in mfg., *ave. weekly*	40.1	104	105	104
Industrial electric power sales				
Metropolitan area	***	114	111	111
Allentown	***	100	97	102
Bethlehem	***	122	120	117
Easton	***	117	116	111
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	316.8	+19		
Nonresidential contracts only	181.8	+69		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	342.1	118	116	114
Lackawanna County[2]	105.1	114	112	110
Luzerne County[3]	152.1	112	111	108
Unemployed, no. of residents				
Metropolitan area	21.1	69	66	75
Rate, seasonally adjusted	6.1			
Lackawanna County[2]	5.9	60	55	67
Luzerne County[3]	11.2	71	72	79
Civilian labor force, no. of residents				
Metropolitan area	363.2	113	111	110
Lackawanna County[2]	111.0	108	107	106
Luzerne County[3]	163.4	108	107	105
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	298.4	114	113	111
Nonmfg. only, no. of jobs	227.4	127	126	122
Mfg. only, no. of jobs	70.9	85	85	86
Hrs. worked by production workers in mfg., *ave. weekly*	39.3	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	113	112	113
Lackawanna County[2]	***	128	127	126
Luzerne County[3]	***	95	96	100
Hazleton	***	86	85	94
Wilkes-Barre	***	102	100	103
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	253.4	+31		
Nonresidential contracts only	125.1	– 3		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

employment growth. Compared to the third quarter of 1987, employment has advanced 1.7 percent in the region. This follows gains of 3.0 and 2.1 percent in the first and second quarters, respectively. This is fairly consistent with the slowing pace of growth for the nation's economy as a whole.

Not surprisingly, the region's nonmanufacturers continue to supply the bulk of all new jobs. The third quarter brought with it 5,000 more jobs in these industries relative to a year ago, although there was a slight deterioration from the second quarter. All told, these establishments maintained 200,700 jobs during the three-month period. The big-gainers continue to be the services industries, with 3,200 new jobs over the year ending with the third quarter, and retail trade, with 1,100 new jobs.

In terms of jobs, manufacturing continues to add little, if any, to overall growth. Job levels have remained fairly stable in the 76,000-77,000 range for several quarters and it is doubtful that they will rise by a significant amount anytime soon. Four industries have accounted for the bulk of all factory job losses over the past several years in Pennsylvania: metals (especially primary), nonelectrical machinery, electrical equipment, and apparel. As of 1979, which is often thought of as the peak year for manufacturing, these industries accounted for one-fourth of all nonfarm jobs in the region. Statewide, they accounted for only 15 percent. Hence, it may be accurate to say that the structure of the region's manufacturing sector, with its heavy reliance, at least historically, upon slow-growth industries, may account for the region's sub-par performance earlier in the decade.

Scranton-Wilkes-Barre

The Scranton-Wilkes-Barre metropolitan area turned in a fairly impressive showing on the economic front during this year's third quarter. As a result, it appears as if 1988 will be one of the strongest years of the recovery. For example, nonagricultural job growth between 1983 and 1987 averaged 2.3 percent annually. So far this year, jobs have grown at a 2.6 percent clip.

Despite this rather rosey summary, the region is far from problem-free. As past issues of the *PBS* have pointed out, some rather large differences in performance are apparent among the region's five counties. Furthermore, although the factory job losses which rocked the region appear to be over, job levels have stabilized at an all-time low at just above 70,000. As recently as a decade ago, job levels hovered in the 85,000 range. A large portion of the decline in manufacturing jobs has been concentrated in the apparel industry which has lost about 10,000 jobs over the past decade. Indeed, the region's reliance upon this "slow-growth" or "declining" industry has prevented the metro area from turning in a stronger performance in recent years. While the share of total jobs accounted for by this industry has declined from 8.3 percent in 1979 to 4.8 percent in 1987, these job shares remain close to three times greater than the corresponding figures for the State as a whole.

Much more encouraging news is found in the nonmanufacturing sector where the 227,400 jobs maintained in the third quarter translates into a record high. So far this year, job levels in these establishments are up by 8,200 from the first nine months of 1987. As has been the case in recent years, the service-producing industries have provided the bulk (7,500) of these new jobs. The remainder is accounted for by the construction industry. The value of contracts awarded also suggests some improvement has been recorded this year as residential contracts are up one-third in value to offset a slight decline on the nonresidential side.

Much is made of the tradeoff between the expanding service sector and the stable or slightly declining manufacturing sector with respect to wages. For the metropolitan area as a whole in 1987, average annual wages in the service industries came to approximately two-thirds of the average annual wage in manufacturing.

Despite a slight rise in third quarter's jobless rate to a seasonally adjusted 6.1 percent, the overall employment picture remains encouraging. While the unemployment rate inched up, employment was actually rising as it stood at another record in the third quarter, 342,100. Hence, the uptick in joblessness in the third quarter is attributable to a fairly large gain in the labor force which may be interpreted rather positively.

Williamsport

Lycoming County followed up what may have been a rather uneventful second quarter with another solid showing during the July-September period. As a result, the region's economy remains on an upward path with future gains likely. Hence, it is best not to put too much weight behind the 0.6 percentage point rise in the jobless rate to a seasonally adjusted 5.3 percent in the third quarter. The increase may be traced to a large advance in the labor force as employment actually rose over second quarter readings. Specifically, 60,000 residents were counted as employed which represents a new record. During the first nine months of this year, employment is up by 3,900 from the first three quarters of 1987. This gain, however, has failed to reduce the number of unemployed as there has been an equal number of new entrants into the labor force, a trend which is typically the sign of a strong economy. While additional improvement is likely in the future, signals are emerging which suggest that growth is slacking off a bit. For instance, employment growth from the third quarter of 1987 came to 4.7 percent during the July-September period. This comes on the heels of annual advances totaling 10.9 percent in the first quarter and 6.5 percent in the second. Still, a 4.7 percent annual rate of growth is far from sluggish.

This year is proving to be one of the strongest of the recovery based upon trends in nonfarm job growth. Through September, jobs have grown at a 6.5 percent clip, almost double the average from the previous four years. Not surprisingly, the majority of these gains have originated in the nonmanufacturing sector where job levels, at 36,700 in the third quarter, stand at a record high. As a result of nonmanufacturing's above-average gains in recent years, its share of all nonagricultural jobs currently stands at 68 percent, up from 62 percent in 1979. Within nonmanufacturing, construction appears to be turning in a strong performance this year as reflected in increases in the value of contracts awarded.

Perhaps the lone piece of bad news in the third quarter is found in the factory sector. Although job levels actually held steady at 16,700, they typically rise by about 300 for the quarter. Hence, the number of jobs declined after adjusting for seasonality for the second consecutive quarter. Still, these industries have performed much better than in the State as a whole over the past few years in Lycoming County with respect to the overall job picture. Furthermore, other indicators of the factory sector's health such as the average workweek and industrial power sales, remain at relatively high levels.

Williamsport Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '88	*3 Q '88*	*2 Q '88*	*3 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	60.0	124	123	119
Unemployed, no. of residents	2.9	72	62	72
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	62.8	120	117	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.4	116	115	110
Nonmfg. only, no. of jobs	36.7	130	128	121
Mfg. only, no. of jobs	16.7	92	94	92
Hrs. worked by production workers in mfg., *ave. weekly*	41.6	107	106	106
Industrial electric power sales	***	101	92	85
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.2	+23		
Nonresidential contracts only	16.8	+71		

[1]Lycoming County

Southwestern Quarter

Altoona

The economy of Blair County appears to be growing at a fair pace so far this year based upon data through the third quarter. Such a performance, however, leaves considerable room for improvement. Indeed, while total nonfarm jobs have grown 2.4 percent in the region so far this year, the average gain in the previous four years was 2.6 percent. The nonmanufacturing sector, just as it has been for the past several years, continues to lead the way. At 41,600 in the third quarter, the number of jobs in these industries stood at another record high. While the construction industry is not adding much in terms of jobs, the strength of building activity is apparent in other indicators. Contract values for nonresidential projects through the first nine months of the year are more than three times greater than in the corresponding period in 1987. A solid 70 percent gain was turned in on the residential side.

Altoona Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '88	*3 Q '88*	*2 Q '88*	*3 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	57.9	107	106	105
Unemployed, no. of residents	3.9	109	105	110
Rate, seasonally adjusted	7.0			
Civilian labor force, no. of residents	61.8	107	106	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.0	101	102	100
Nonmfg. only, no. of jobs	41.6	107	107	105
Mfg. only, no. of jobs	11.4	84	86	86
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	106	106	104
Industrial electric power sales	***	77	78	78
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	20.2	+ 70		
Nonresidential contracts only	39.7	+205		

[1]Blair County

Furthermore, the number of new housing units authorized by permit during the first half of the year in Blair County rose by more than one-fourth from year-ago readings.

The story is quite different however, at least on the job front, in the factory sector. After adjusting for seasonality, there was actually a drop in jobs during the third quarter. Manufacturing jobs have held fairly steady over the past few years at slightly above 11,000 despite third quarter's seasonally adjusted decline. It is quite doubtful that any significant improvement will be recorded in the near-term. At the same time, job levels are unlikely to decline by a considerable amount. Hence, the region appears to be in store for a holding pattern with respect to factory-related jobs. Research by the Center for Regional Business Analysis has shown that a simple focus on job levels as a gauge of manufacturing's health is misleading, at least for the State as a whole. While no data is available for metro areas, it may be that manufacturing output in Blair County, perhaps because of increases in productivity, may be on the rise despite the long-term downward trend in jobs.

Given that there are few signs of boom or bust in the region, it is not surprising that the overall picture with respect to employment and unemployment has remained relatively stable. Indeed, the unemployment rate, at a seasonally adjusted 7 percent, was unchanged during the July-September period from second quarter averages. There has been a similar lack of movement on the employment front, although there was a slight seasonally adjusted increase in the number of residents counted as employed in the third quarter. Other signs of a slowdown in employment growth are evident in year-ago comparisons. After first quarter employment came in 2,500 above year-ago readings, second and third quarters brought gains of 1,400 and 800, respectively.

Johnstown

The economy of the bi-county Johnstown metropolitan area appears to have reached a plateau over the course of the past several months as several signals are suggesting that growth may have peaked earlier in the year. On the positive side, this plateau appears to be allowing for a high level of economic activity relative to the earlier years in the current economic recovery. On the negative side, there is still considerable room for improvement, both relative to pre-1980 conditions and compared to conditions elsewhere within the Commonwealth.

Employment and unemployment conditions appear to be stable despite the fact that the jobless rate jumped 0.6 percentage point to 7.7 percent after seasonal adjustment during the July-September period. After adjusting for seasonality, the 90,100 residents counted as employed in the third quarter is essentially unchanged from the previous quarter. Still, year-over-year gains are apparent on the employment front, though these increases are becoming less pronounced. There does appear to be some difference in employment trends over the past several years between the two counties which make up the region. Over the 1979-1987 period, employment declined by nearly 14 percent in Cambria County compared to a somewhat smaller 8 percent decline in Somerset County.

Similar discrepancies are apparent when job trends with respect to workers covered by unemployment compensation laws are analyzed. Between 1979 and 1987, covered employment in Cambria County fell by close to 18 percent. Within Somerset County, there was only a minimal decline over the same period. It does appear that Somerset County has fared somewhat better on the economic front than Cambria County over the course of the turbulent 1980s. Hence, the fact that the number of households in Cambria County actually declined during the first half of the decade while Somerset County realized a (below-average) gain is not surprising since this indicator moves positively with the health of the economy.

Activity within the construction sector is playing a major role in boosting overall nonmanufacturing activity. While job levels are holding relatively steady, awards for both residential and nonresidential construction are up considerably over year-ago readings. Much the same is true with respect to the number of new housing units authorized by permit which was running at a pace more than double that for 1987 during this year's first half. For nonmanufacturing as a whole, job levels currently stand at 66,800, the highest third quarter reading since 1979 and up by 1,000 over the year-ago period. The situation is a bit different on the manufacturing side where job levels have stabilized at around 13,000, only slightly higher than all-time lows set earlier in the decade. However, a relatively high average factory workweek (though down slightly from the second quarter) and a solid showing with respect to industrial power sales, suggests that a good deal of spark may still be left within the region's manufacturers.

Pittsburgh-Beaver Valley

It appears that 1988 will go down as being perhaps the strongest year of the current economic recovery in the five-county Pittsburgh-Beaver Valley metro area. In the Pittsburgh portion of the overall region, nonfarm jobs have grown 1.7 percent this year, up from a 0.5 percent average gain in the previous four years. Likewise, this year's increase in Beaver County, 1 percent, represents substantial improvement over the average decline of 2.3 percent from the 1983-1987 period. At the same time, however, the region has consistently been outperformed by the State as a whole over the current recov-

Johnstown Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	90.1	91	91	90
Unemployed, no. of residents	6.6	69	62	74
Rate, seasonally adjusted	7.7			
Civilian labor force, no. of residents	96.7	89	88	88
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	79.9	90	90	89
Nonmfg. only, no. of jobs	66.8	99	99	98
Mfg. only, no. of jobs	13.2	62	63	62
Hrs. worked by production workers in mfg., *ave. weekly*	39.5	100	102	100
Industrial electric power sales	***	195	191	164
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	41.2	+30		
Nonresidential contracts only	34.8	+22		

[1]Cambria and Somerset Counties

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	922.3	104	103	101
Beaver County	59.1	65	67	66
Unemployed, no. of residents				
Pittsburgh[1]	52.8	82	85	97
Beaver County	5.3	82	88	97
Unemployment Rate, seas. adj.				
Pittsburgh[1]	5.6			
Beaver County	8.6			
Civilian labor force, no. of residents				
Pittsburgh[1]	975.1	102	102	101
Beaver County	64.4	69	68	68
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	868.7	99	99	98
Beaver County	52.0	68	67	66
Nonmfg. only, no. of jobs				
Pittsburgh[1]	742.6	113	114	112
Beaver County	42.5	112	110	107
Mfg. only, no. of jobs				
Pittsburgh[1]	125.7	57	56	56
Beaver County	9.5	24	25	25
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	42.1	n.a.	n.a.	n.a.
Beaver County	41.2	n.a.	n.a.	n.a.
Industrial electric power sales	***	67	60	65

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only		
Pittsburgh[1]	431.1	+ 27
Beaver County	17.5	+ 68
Nonresidential contracts only		
Pittsburgh[1]	444.7	0
Beaver County	14.8	+185

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

ery period. Average nonagricultural job growth in Pennsylvania averaged 2.1 percent per year over the 1983-1987 period and has come in at 2.6 percent so far this year.

The region's economy, at least with respect to jobs, continues to shift from one with a relatively large factory sector to one increasingly dominated by service-type activities. Within the Pittsburgh region, manufacturing's share of total jobs has declined from 25 percent in 1979 to 14 percent in 1987. Within Beaver County, factories accounted for one-fifth of all jobs last year compared to a share of nearly one-half in 1979.

Manufacturing, however, has recently shown signs of a minimal turnaround. Through the first nine months of 1988, factory jobs are up by 2,100 from the same period in 1987 in the Pittsburgh portion of the area. Although this is only slightly above record low readings, 1988 will, in all likelihood, be the first year since 1979 that a year-over-year gain in factory jobs will be realized. While even these minimal increases appear to be absent in Beaver County, it is safe to say that the bulk of all job losses appear to have already occurred.

As has been the case for several years, the news is considerably brighter on the nonmanufacturing side. In both the Pittsburgh and Beaver County portions of the metro area, jobs in these establishments have hovered at or near record highs for the past several quarters. The service industries have been providing the bulk of all new jobs. Of the 1,000 new nonmanufacturing positions generated so far in 1988 in Beaver County, 600 have come in service establishments. Likewise, of the 12,600 new nonmanufacturing jobs in the four-county Pittsburgh region, 11,900 are accounted for by service industries. Despite gains with respect to contract awards, construction activity may be slowing in the region. Jobs are down slightly this year and the number of housing units authorized by permit was off 10.5 percent on an annual basis during the first half of the year.

There does appear to be a negative side to the tradeoff between factory and service jobs with respect to wages. In 1987, average annual wages in the services industries ranged anywhere from 62 percent of manufacturing wages in Beaver County to 71 percent in Fayette County. This hides the fact, however, that there are some relatively high-paying jobs in the service industries.

While it is a fairly easy task to pinpoint weak spots, the fact that the good news in recent months has outweighed the bad is evident in recent trends in employment and unemployment. At a seasonally adjusted 5.6 percent, the Pittsburgh region's third quarter jobless rate was at its lowest level since before record-keeping began in 1975. Beaver County's unemployment rate of 8.6 percent (seasonally adjusted) in the July-September period was the lowest in seven years. While employment has risen continuously over the course of the recovery in the Pittsburgh metro area, including a gain of 21,500 this year, long-run growth trails that for the State as a whole. In Beaver County, employment is also up over year-ago readings, by 1,100, but that barely puts a dent in the losses racked up over the past several years. Clearly, solid strides have been made, but much more remains to be done.

State College

While there are some signals emerging which suggest that economic growth in Centre County may be slowing a bit, it is quite doubtful that the region is in store for a significant drop in overall activity. More and more evidence suggests that the surge in construction activity is over, especially on the residential side. Through the first half of this year, the number of units authorized by housing permit was off one-third from year-ago readings. However, job levels are up slightly and total contract awards exceed estimates from last year. Hence, if anything, the building sector appears to be in store for a "soft landing." Elsewhere in nonmanufacturing, the service-producing industries continue to fuel overall job growth. Despite a fairly stable third quarter, nonmanufacturing employment will surely set another record in 1988. So far this year, service jobs are up by 500 from the first nine months of 1987 and trade jobs are up by 200 to lead the way. Manufacturing appears to be more than holding its own in the region as job levels have, on average, been 300 higher than a year ago so far in 1988, despite a slight seasonally adjusted decline between the second and third quarters. Even over the longer-term, these industries appear to have fared quite well relative to other regions in the State.

While many debate the wage-tradeoff between the goods- and service-producing industries, the State College metro area appears to be concentrated in relatively high-paying service industries. For instance, average annual wages in service in-

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '88	*3 Q '88*	*2 Q '88*	*3 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	59.3	140	138	136
Unemployed, no. of residents	3.1	122	115	124
Rate, seasonally adjusted	5.4			
Civilian labor force, no. of residents	62.4	139	136	135
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	53.8	134	134	130
Nonmfg. only, no. of jobs	46.2	137	137	134
Mfg. only, no. of jobs	7.6	119	119	114
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	130	124	120
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	53.9	+17		
Nonresidential contracts only	44.2	+87		

[1]Centre County

Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '88	*3 Q '88*	*2 Q '88*	*3 Q '87*
Employment *(in thousands)*				
Employed, no. of residents	124.0	109	107	106
Unemployed, no. of residents	7.4	85	83	99
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	131.4	107	105	106
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	113.3	102	102	100
Nonmfg. only, no. of jobs	78.5	116	115	112
Mfg. only, no. of jobs	34.8	81	81	81
Hrs. worked by production workers in mfg., *ave. weekly*	42.8	104	104	102
Industrial electric power sales	***	115	117	111
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	45.2	-24		
Nonresidential contracts only	41.7	- 3		

[1]Erie County

dustries for Pennsylvania as a whole amount to about 74 percent of manufacturing wages. In Centre County, the corresponding figure is 90 percent partly because of a slightly larger concentration than the State as a whole in the well-paying business services.

At 59,300, third quarter resident employment in the State College metro area was up by 2,000 from the same period in 1987. This follows gains of 2,900 and 2,100 in the first and second quarters, respectively. Despite this apparent slowdown, third quarter's performance was strong enough to bring about the lowest unemployment rate for the July-September period in 14 years, 5 percent (not seasonally adjusted). However, the fact that the seasonally adjusted rate rose from second quarter readings provides further evidence of an overall slowing of economic growth. Again, though, few signs suggest that Centre County will slump appreciably in the near-term.

Northwestern Quarter

Erie

Broad indicators of economic activity suggest that conditions within Erie County have been fairly encouraging through the first three quarters of 1988. After a relatively sluggish second quarter, the employment gains recorded during the typically robust summer months were stronger than normal as a new record of 124,000 residents were counted as employed. So far in 1988, employment is up by 3,200. This has absorbed a net inflow into the labor force totaling 2,000 and has paved the way for a reduction of 1,200 in the number of unemployed. As a result, third quarter's seasonally adjusted unemployment rate of 6 percent represents the lowest reading in nearly 14 years.

Still, problems do remain, most notably in the goods-producing sector. Construction activity appears to be slowing as the value of contract awards is off from year-earlier totals. Moreover, the number of new housing units authorized by permit during the first half of the year was off by one-fourth from the same period in 1987. At the same time, however, construction jobs are up slightly on a year-to-date basis. Job levels within the region's factories are essentially holding steady at slightly above 34,000. While such a holding pattern is welcome news following a string of job losses, it still leaves job readings only slightly above record lows. However, not all of the news is bad within the factory sector as industrial power sales and the average workweek remain at fairly high levels, suggesting that production activity may be holding its own.

Elsewhere, especially in the service-producing industries, the situation is much more positive as job levels continue to advance. For nonmanufacturing as a whole, the 78,500 establishment jobs in the third quarter translate into a record high. This represents the sixth time in the past seven quarters that a new record has been set. The metro area's two largest industries, services and retail trade, continue to lead the way. The massive restructuring which has taken place in the region's economy is apparent in that the service-producing sector now accounts for approximately 65 percent of all jobs compared to 59 percent in 1979. At the same time, manufacturing's share has declined from 38 percent to 31 percent.

The positive trends associated with these industries along with a stable picture with respect to the region's factories have resulted in a solid showing for total nonfarm jobs so far in 1988. Indeed, the 2 percent gain in nonagricultural jobs recorded so far this year in Erie County, although still less than the State's 2.6 percent gain, represents a fair amount of improvement over the 1.5 percent average annual gain turned in over the 1983-1987 period.

Sharon

After trailing Statewide trends for several years, the Mercer County economy is turning in a performance so far in 1988 which ranks it near the top of the list relative to the State's 14 other metropolitan areas. For instance, only Lycoming County has realized a stronger rate of growth in nonfarm jobs this year than the Sharon area's 6.4 percent. Furthermore, this represents drastic improvement over the 0.6 percent annual gain averaged over the 1983-1987 period. Both the factory and nonmanufacturing sectors have played a role in this year's resurgence. Within manufacturing, the number of jobs maintained, at 10,800, was up 1,000 during the third quarter

Sharon Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	49.7	101	100	95
Unemployed, no. of residents	2.6	69	60	80
Rate, seasonally adjusted	5.3			
Civilian labor force, no. of residents	52.3	98	97	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	43.2	96	95	90
Nonmfg. only, no. of jobs	32.3	112	111	106
Mfg. only, no. of jobs	10.8	66	65	59
Hrs. worked by production workers in mfg., *ave. weekly*	42.3	n.a.	n.a.	n.a.
Industrial electric power sales	***	117	114	110
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	13.5	+108		
Nonresidential contracts only	9.2	– 39		

[1]Mercer County

from the same period in 1987. Even after adjusting for seasonality, job levels are at their highest since 1984. Durable goods industries have accounted for essentially all of the region's new factory jobs this year. These gains fit nicely with similar improvement recorded in the nonmanufacturing sector which has maintained a record number of positions for nearly one year if seasonal trends are discounted. All told, there were 32,300 jobs in these industries during this year's third quarter. Construction has played a role as 100 jobs have been created so far this year. Gains in activity appear to be especially impressive on the residential side as contract values are more than double their 1987 levels and new housing units authorized by permit rose 16 percent during the first half of the year.

This solid showing has resulted in rather substantial improvement on the employment/unemployment front. Third quarter's seasonally adjusted 5.3 percent unemployment rate suggests that, despite a slight rise from the second quarter, this measure of the economy's health has been at its lowest level since the early 1970s so far this year. Furthermore, joblessness has been reduced this year despite the fact that the labor force has increased considerably. The end result was an employment level of 49,700, the highest third quarter estimate since 1981.

While nearly all of the news so far this year has been good in Mercer County, these gains need to be analyzed in their proper perspective. Most indicators suggest that the region is still struggling to regain all of the ground lost in previous years. For instance, the gains recorded in manufacturing jobs in recent months still leave factory positions down by about one-third from the late 1970s and it is quite doubtful that all of these jobs will ever be replaced. Trends in household formations, which move positively with economic growth, also suggest that the economy of the Sharon metropolitan area has performed sluggishly over much of the 1980s. Through the first half of the decade, the number of households grew 3.6 percent in Pennsylvania. In Mercer County, the number of households in 1985 was essentially unchanged from 1980 levels. In a nutshell, while the short-term gains racked up by the region of late are certainly welcome, there is still ample room for improvement.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Growth balanced across both the goods- and service-producing sectors has continued throughout the first nine months of 1988 and while growth may slow somewhat along with the national economy, the prospects for continued gains are encouraging in the Harrisburg-Lebanon-Carlisle metro area. Each of the four counties within the metro area has turned in a solid performance. For instance, resident employment growth in Pennsylvania came in at 6.8 percent over the 1979-1987 period. Within the metro area, growth came in at 12.2 percent in Dauphin County, 13.9 percent in Lebanon County, 17.7 percent in Cumberland County, and 21.3 percent in Perry County.

Third quarter data does suggest that some of the other regions within the southeastern quarter of the Commonwealth are equaling and improving upon the area's relatively low jobless rate. As of 1987, only Lancaster County had an unemployment rate lower than Harrisburg-Lebanon-Carlisle's. During this year's third quarter, the Philadelphia and Reading metro regions also maintained lower jobless rates than the four-county region's 4.2 percent (seasonally adjusted) and the York area matched it. Still, the region is turning in a very impressive performance on the employment/unemployment front. Through 1988's first nine months, employment is up 3.3 percent. If such a trend is carried on into the fourth quarter, 1988 will represent the third best year within the past decade with respect to employment growth.

Although there was a slight drop in nonmanufacturing jobs in the third quarter, these industries have continued to provide the bulk of all new jobs this year. At 249,100, jobs in these establishments were at their highest third quarter reading on record. Trends in the service-producing industries have been especially impressive. Nearly 6,900 jobs have been generated in the nonmanufacturing sector in 1988. More than 6,100 of these may be traced to service-producing establishments.

Construction accounts for the remainder of these new jobs. Other indicators of building trends suggest that activity is up, especially on the residential side. Contract values for residen-

Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 3 Q.'88	Average monthly index seas. adj. (1977 = 100) 3 Q.'88	2 Q.'88	3 Q.'87
Employment *(in thousands)*				
Employed, no. of residents	315.6	122	121	120
Unemployed, no. of residents	12.9	88	75	88
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	328.6	120	118	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	302.4	122	122	120
Nonmfg. only, no. of jobs	249.1	129	129	126
Mfg. only, no. of jobs	53.2	97	96	96
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	n.a.	n.a.	n.a.
Industrial electric power sales	***	90	94	86
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	184.2	+15		
Nonresidential contracts only	177.6	–34		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

tial projects are up 15 percent so far this year while nonresidential values are off by one-third. The number of new housing units authorized by permit was up 9 percent through the first half of 1988.

Conditions in the region's factories continue to show signs of stability. Jobs have actually increased so far this year, but growth does appear to be slowing. In the first quarter, jobs were up 1,800 on an annual basis. In the second quarter, the gain totaled 700. Most recently, third quarter's 53,200 factory jobs represent a gain of 300 from last year. The region is less concentrated in those manufacturing industries which have suffered the most over the course of the 1980s (metals, electronic equipment, machinery, and apparel products) than the State as a whole. In 1987, these industries accounted for 9.4 percent of all nonfarm jobs in the State. Within the Harrisburg-Lebanon-Carlisle region, they accounted for just 7.7 percent.

Lancaster

Though there are a few signs that overall economic growth is slowing, conditions remain positive in Lancaster County. For instance, at a seasonally adjusted 3.5 percent, the region continued to maintain the lowest jobless rate among the Commonwealth's 15 metropolitan areas in the third quarter. Furthermore, the number of residents counted as unemployed so far this year is the lowest total since 1974. So far this year, employment is up by 8,500 from the first nine months of 1987. This has helped reduce the number of unemployed by 200 residents as well as absorb an increase in the labor force totaling 8,300. The gain in employment this year, at 4.2 percent, is quite impressive compared to the 3 percent gain turned in by Pennsylvania as a whole.

The nonmanufacturing sector continues to be the main source of these new positions as a new record was again set in the third quarter with the 126,000-mark being reached for the first time. Retail and wholesale trade industries have accounted for 2,200 new jobs this year while another 2,400 positions have been added to payrolls in the services industries. Elsewhere in the nonmanufacturing sector, the growth in construction activity may be slowing despite increases in the value of both residential and nonresidential contract awards. Through the first six months of the year, 6.2 percent fewer housing units were authorized by permit than in the first half of 1987.

While job trends in the service-producing industries remain fairly impressive, factory-related jobs continue to hold their own at their highest levels since 1980. Since the onset of the economic recovery in 1982 and 1983, manufacturing jobs in Lancaster County have grown 7.4 percent. Statewide, a 7.3 percent decline has been recorded. Other encouraging signals are found in the relatively high average manufacturing workweek and steady gains in electricity sales to industry.

All in all, Lancaster County has been one of the top performers in the Commonwealth over the course of the past several years with respect to economic growth. That trend is reflected in the growth in the number of households in the region. Between 1980 and 1985, the number of households in Pennsylvania increased 3.6 percent. In Lancaster County, with its strong economy, a 10.8 percent advance was realized.

Philadelphia

Conditions were quite impressive on just about all economic fronts during the third quarter in the eight counties making up the Philadelphia metropolitan area. Perhaps the lone weak spot, as in several other regions of the Commonwealth, can be found in construction. While a 7 percent gain in the value of residential contract authorizations has been recorded so far this year, it is questionable as to whether or not that translates into any "real" increases in actual volume terms. In fact, data through the first half of the year suggests that new housing units authorized by permit, a fairly good indicator of starts, fell 4.5 percent from a year ago. On the nonresidential side, a 17 percent decline in nonresidential contract authorizations has been turned in so far in 1988.

That, however, is about the extent of the "bad" news, especially with respect to the nonmanufacturing sector. All told, job levels in these industries continue to advance, and set another record at 1.82 million in the third quarter. As elsewhere, the service-producing industries are carrying the

Lancaster Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	216.7	134	133	130
Unemployed, no. of residents	7.5	91	87	98
Rate, seasonally adjusted	3.5			
Civilian labor force, no. of residents	224.2	132	131	129
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	185.9	131	130	127
Nonmfg. only, no. of jobs	126.0	148	148	141
Mfg. only, no. of jobs	59.9	105	105	106
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	102	102	101
Industrial electric power sales	***	142	140	140

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	206.7	+24
Nonresidential contracts only	74.4	+43

[1]Lancaster County

Philadelphia Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	2,358.8	124	122	121
Unemployed, no. of residents	102.0	56	55	59
Rate, seasonally adjusted	4.0			
Civilian labor force, no. of residents	2,460.8	118	116	116
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2,188.7	120	119	118
Nonmfg. only, no. of jobs	1,816.0	132	131	129
Mfg. only, no. of jobs	371.3	83	83	84
Hrs. worked by production workers in mfg., *ave. weekly*	40.2	102	102	102
Industrial electric power sales	***	113	109	107

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	1,556.5	+ 7
Nonresidential contracts only	1,341.8	−17

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

bulk of the load. These industries account for about 78 percent of all nonfarm jobs in the region. So far this year, they have accounted for about 81 percent of all new jobs. Leading the way has been the service industry with 22,400 new positions. Also making a significant contribution has been retail trade with 9,600 new jobs.

The situation in the region's factories is not nearly as good, but some improvement has been recorded relative to the past few years. Manufacturing jobs have held pretty steady since the beginning of 1987 after declining for about two years. Unfortunately, at just above 370,000, factory jobs have stabilized at record low readings. Both durable and nondurable goods industries have been in this "holding pattern" in recent months. However, job trends may be only telling part of the story. Both the average workweek and industrial power sales are quite high in historical terms, suggesting that production activity may be rising despite the flat trend in jobs.

Despite the fact that overall nonagricultural job trends have been fairly impressive, some slowing in growth does appear to have occurred through the first nine months of the year. Specifically, while nonfarm job growth averaged 2.8 percent on an annual basis over the 1983-1987 period in the Philadelphia region, a 2.2 percent advance has been turned in so far this year.

In the most recent "Around the State" section of the *PBS*, it was suggested that each of the Pennsylvania counties within the region had turned in strong performances in recent years with respect to resident employment growth. However, information on just those workers covered by unemployment compensation laws suggests that all of the job gains have been outside of Philadelphia County. For instance, in Bucks (a 27 percent job gain), Chester (25 percent), Delaware (17 percent), and Montgomery (24 percent) Counties, the gain in "covered" employment over the 1979-1987 period was stronger than in the State as a whole. However, in Philadelphia County, a decline of 3.8 percent was recorded.

Since the good news of late has far outweighed the bad, the employment/unemployment picture continues to improve in the metro region. The region's 4 percent unemployment rate (seasonally adjusted) in the third quarter is the second lowest among the State's 15 metro areas. Relative to the third quarter of 1987, employment was up by 42,100 in the July-September period as it rose to another record high in settling at 2.36 million.

Reading

The first nine months of 1988 appear to have been quite strong in economic terms in Berks County as improvements were recorded on just about all fronts. As a result, employment and unemployment trends remain impressive as evidenced by the region's seasonally adjusted 4.1 percent jobless rate in the third quarter, the third lowest among the State's 15 major labor market areas and the lowest it has been since the early 1970s. Employment has remained at a record high since around 1986 after adjusting for normal seasonal ups and downs as it settled at 172,900 in the third quarter. So far this year, employment is up by 7,900 residents in the Reading metro area. This gain has been strong enough to absorb a fairly healthy net inflow into the labor force and reduce the number of unemployed by about 700.

Reading Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	172.9	126	123	120
Unemployed, no. of residents	7.0	82	80	91
Rate, seasonally adjusted	4.1			
Civilian labor force, no. of residents	179.9	123	121	118
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	153.5	117	116	112
Nonmfg. only, no. of jobs	104.3	130	129	123
Mfg. only, no. of jobs	49.1	97	97	94
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	105	106
Industrial electric power sales	***	139	137	136
Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	110.6	+ 46		
Nonresidential contracts only	69.3	+133		

[1]Berks County

The strong economy is also reflected in impressive construction trends. Nonresidential contract values were more than double their 1987 levels during the first three quarters of the year and residential awards were up by nearly 50 percent. Perhaps even more encouraging was the fact that the number of new housing units authorized by permit was up 17 percent during the first half of the year.

This year appears to be "above average" with respect to nonagricultural job growth. Between 1983 and 1987, nonfarm job growth averaged 2.1 percent each year. So far in 1988, job growth has come in at 4.2 percent. Both manufacturing and nonmanufacturing appear to be playing a role in recent job gains. On the factory side, 1,300 positions have been added through the first nine months of 1988 as job levels appear to have stabilized at around 49,000. Within manufacturing, gains have been fairly widespread. Of the 13 industry lines analyzed, 8 have realized job gains this year while 3 have held steady.

Third quarter brought with it another record number of nonmanufacturing jobs as a stronger-than-normal performance was turned in. It appears that gains in the private sector service-producing industries offset the typical summer decline in public sector (i.e., education-related) jobs. All told, there were more than 104,000 nonmanufacturing workers in Berks County during the July-September period for the second quarter in a row. Leading the way of late has been the service and trade industries with year-to-date job gains of 1,800 and 1,000, respectively.

York

Third quarter economic conditions in Adams and York Counties remained impressive as the region continues to move forward in a well-balanced fashion. Construction stands out as being an especially strong performer so far this year. Through the first nine months of 1988, contract awards for residential and nonresidential projects were well ahead of their 1987 values. Additionally, housing permit authorizations, a good measure of actual starts, rose by more than one-fourth on an annual basis during this year's first half. This represents the third largest gain among the State's 15 metro areas.

Not surprisingly, the overall strong economy has resulted

York Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'88	*3 Q.'88*	*2 Q.'88*	*3 Q.'87*
Employment *(in thousands)*				
Employed, no. of residents	212.4	135	134	130
Unemployed, no. of residents	9.0	93	82	94
Rate, seasonally adjusted	4.2			
Civilian labor force, no. of residents	221.4	132	131	128
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	176.0	124	124	120
Nonmfg. only, no. of jobs	115.5	140	139	135
Mfg. only, no. of jobs	60.5	102	102	98
Hrs. worked by production workers in mfg., *ave. weekly*	42.5	104	104	104
Industrial electric power sales	***	128	122	119

Construction contracts awarded *(in millions of dollars)*	'88 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	179.6	+56
Nonresidential contracts only	122.2	+20

[1]Adams and York Counties

in a solid showing on the employment/unemployment front. While Pennsylvania as a whole has watched employment grow 3 percent this year, York metro area employment has expanded by 4.8 percent as a new record is being set practically every quarter after seasonality is discounted. Both counties within the region appear to be turning in solid showings. Over the 1979-1987 period, employment in Adams County was up 12.9 percent. In York County, an 11.9 percent gain was realized. Statewide, a much smaller 6.8 percent increase was recorded.

The region has fared much better than the State as a whole with respect to factory job trends over the past several years. This is despite the fact that those industries which have accounted for the bulk of all manufacturing job losses in the Commonwealth (metals, machinery, electronic equipment, and apparel) account for a larger share of jobs in the York area than in Pennsylvania. All told, there were 60,500 manufacturing jobs maintained in the region during the third quarter, off slightly from the second quarter after seasonal trends are discounted for but up by 1,900 from a year ago. On the nonmanufacturing side, the job situation is even more encouraging. The 115,500 positions maintained in these establishments again represent a new record as the service-producing industries continue to show remarkable strength.

Clearly, overall trends have been impressive. As a result, theory suggests that demographic trends should be favorable. Indeed, with respect to the growth in the number of households, they are. For instance, while the number of households grew by 3.6 percent in all of Pennsylvania between 1980 and 1985, a gain of 7.9 percent was turned in by Adams County while York County managed a 6.9 percent advance.

— William D. Anderson

PENNSYLVANIA BUSINESS SURVEY

November 1988 Vol. 29, No. 11

Published monthly by the Division of Research of the College of Business Administration, 103 Business Administration Bldg. II, The Pennsylvania State University, University Park, PA 16802. Subscription rate: $7.00 a year. (ISSN 0031-4382)

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U.Ed. 89-193

PENNSYLVANIA BUSINESS SURVEY
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